



The State's Ginsu Knife

Posted by **Pierluigi Oliverio** on Monday, July 27, 2009

Do you remember the commercial for Ginsu Knives from the late '70s? It would show a sharp knife on TV cutting through everything from tomatoes to tin cans. The announcer would repeatedly say: "But wait! There's more!"

Well, just when you thought we had a balanced budget for the City of San Jose, the state of California has said "But wait! There's more!" The state's own Ginsu Knife just slashed our gaunt budget's belly. The newly passed state budget will hurt the cities and counties. As much as local municipalities think they are independent from the state, this budget should serve as a wake up call and reminder that the state can take from us without permission.

Counties and cities are not Sacramento's primary constituents; they have other interest groups that apply more pressure.

As a result of the state's recent action, San Jose will lose property tax revenues of more than \$20 million out of the general fund—which is equivalent to operating all the neighborhood libraries citywide. This will equate to fewer services from the city as there will be fewer city employees providing some type of service, whether it be code enforcement or neighborhood watch, etc.

\$74.8 million will be taken from the Redevelopment Agency (RDA) (However, the \$40 million of RDA money for affordable housing was not touched by the State, since Sacramento wants San Jose to continue building more affordable housing). Headline projects like the Convention Center expansion, proposed baseball stadium, locating clean tech jobs in San Jose and Strong Neighborhood Initiative projects will be thrown into a casket.

In looking for a lemonade-out-of-lemons solution, I thought maybe we could just make a quick \$74.8 million lump sum payment on the outstanding RDA bonds and dodge the state, since there would be no money, and we would at least have less debt down the road. Not an option. The state would force RDA to borrow the money to pay the state or make the City of San Jose liable.

However, there is one option that might allow for projects to go forward. RDA is one of the only tools cities have for economic development which provides genuine stimulus to the economy with construction jobs, and, more importantly, future revenues to the city. The state this year would allow RDA

to borrow money from the \$40 million affordable housing funds as long they were paid back by 2015. This would simply require a majority vote of the city council.

If San Jose would do this then it would allow for economic development that could bring long-term revenues to the city of San Jose.

It is time for the Council to prioritize what is most important in 2009 and moving forward. The choices are more affordable housing during a time of current housing affordability in both rental and for ownership housing OR economic development that could build the tax base of our city to pay for city services like public safety and libraries. This would mean less affordable housing units built this year; however keep in mind San Jose has been the number one provider of affordable housing in the state of California.

Affordable housing does not pay park fees or fees to pave streets and in many cases does not even pay property taxes for ongoing city services. So it's a net loss on the balance sheet.

What would you choose, more affordable housing or economic development? Do you think it's time that voters started voting on how much affordable housing is built in San Jose?

On a separate topic: Last week, I was asked why I did not sign the Police Union pledge. I do not sign pledges for interest groups, period. I believe signing pledges can be problematic. For example, many of our state legislators signed pledges to never raise taxes. However, we have a state that is mostly dependent on personal income tax and capital gains tax to pay for services, so a recession can hurt the budget quickly. So maybe during times like this it is prudent to cut spending but also to reinstate the vehicle license fee or raise the tax on gasoline while dropping taxes on personal income.

It might be any number of scenarios; however, signing a pledge can get in the way of doing the right thing at the right time. As far as my support for public safety, I have two years of votes, two years of public statements, 121 City Hall Diary blogs on SanJoseInside.com, and a public safety page on the District 6 website that San Jose residents and the police union can view to ascertain the level of my support.

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